

# **UTAH COUNTIES INDEMNITY POOL**

## **DIVIDEND POLICY**

### **PURPOSE**

To assist the Board in managing Net Asset levels in accordance with the Net Asset Management Plan.

### **GOAL**

Manage Net Asset levels between 90% and 200% of annual revenue.

### **PROCEDURE**

If Net Assets exceed 200% of annual revenue, the Board may issue dividends. If Net Assets exceed 250% of annual revenue, the Board shall issue dividends unless the Board has specific needs for such surplus as described in the Net Asset Management Policy. Dividends may be issued as Experience Dividends and/or Equity Dividends.

**Experience Dividend** – If Net Assets exceed 200% of annual revenue, the Board may issue an Experience Dividend. Members with loss ratios significantly below the average member loss ratio would be eligible for an Experience Dividend. Average member loss ratio would be calculated on the year in which the dividend is issued and on a multi-year basis, at the Board's discretion.

**Equity Dividend** – If after an Experience Dividend is provided, Net Assets remain in excess of 200%, the Board may issue an Equity Dividend to the membership. If after the Experience Dividend is provided, Net Assets remain in excess of 250%, the Board shall issue an Equity Dividend to the membership unless the Board has specific needs for such surplus as described in the Net Asset Management Policy. For purposes of the Equity Dividend, equity will be calculated in accordance with the equity calculation in the Interlocal Agreement.

**Member in Good Standing Dividend** – At the time the Board issues an Experience Dividend and/or Equity Dividend the Board may also issue a Member in Good Standing Dividend to members who are not eligible for an Experience Dividend or Equity Dividend at the time of the issuance of other dividends. A Member in Good Standing Dividend may not exceed \$1,000 per Member.

When determining if Net Assets are within the ranges identified in this policy, audited Net Assets shall be compared to the prior year's audited annual contributions.

## **REQUIREMENTS**

To receive an Experience Dividend a member must:

- Be continuing membership in the Pool for the prospective year; and
- Maintain a loss ratio significantly below the average member loss ratio; and
- Comply with specified Best Practices Program requirements as determined by the Board.

To receive an Equity Dividend a member must:

- Be continuing membership in the Pool for the prospective year; and
- Have an individual equity to annual contribution ratio of at least 100%.

To receive a Member in Good Standing Dividend a member must:

- Be continuing membership in the Pool for the prospective year.

## **LIMITATIONS ON DIVIDENDS**

The total of Experience, Equity Dividends and Member in Good Standing Dividends shall not deplete the Pool's total Net Assets below 100% of annual contributions.